

The President's Daily Brief

27 August 1971

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Communist China has completed the long, politically arduous process of reforming its provincial party apparatus, but the thorny problem of re-establishing civilian dominance throughout the party and government hierarchies remains unresolved. The stage would appear to be set, however, for convening the long-delayed National People's Congress, probably sometime before the end of the year. (Page 1)

Laotian Premier Souvanna's announcement of a plan for neutralizing the Plaine des Jarres and withdrawing all forces under properly controlled supervision gives the Communists a fresh opportunity to show whether they are interested in winding down the war in north Laos. (Page 3)

The North Vietnamese are getting ready for their annual dry season movement of supplies to the south, this time with substantially more air defense measures than last year. (Page 4)

The Japanese may have decided to float or revalue the yen in the near future. (Page 5)

Chinese-supported insurgents are again active in northeast Burma. (Page 6)

Japan and Communist China have agreed to double the size of their trade offices in Tokyo and Peking. (Page 7)

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COMMUNIST CHINA

The recent formation of four provincial party committees brings the arduous, nine-month process of reconstructing the provincial-level party apparatus to a close. Analysis of the overall make-up of the committees indicates that it is heavily weighted in favor of moderate elements, although political compromise between divergent interests is still the order of the day. The first party committees to be formed appeared to be perfunctory endorsements of leadership arrangements which had been hammered out during the Cultural Revolution. By late spring, however, the regime began to encounter serious leadership controversies in some of the remaining provinces--disputes that reportedly extended into the ranks of the central leadership itself.

Hard bargaining between conflicting interest groups resulted in the appointment of new provincial chiefs in a majority of these troublesome units. Although the provincial heads who were ousted during this process represented a wide spectrum of political affiliations, the majority of those dropped were aligned with forces associated with the more radical policies of the Cultural Revolution.

The top leadership of the new party committees frequently parallels that of the provincial administrative bodies set up during the Cultural Revolution, but there are significant differences. The military, which was already the dominant element, has clearly strengthened its influence; the armed forces have expanded their numerical representation in the ranking positions on the new committees to well over 60 percent. Rehabilitated party veterans--including several who were bitterly attacked during the Cultural Revolution--have likewise proliferated, occupying about 30 percent of the major party posts. Representation of "leftist" activists, often the largest single group on the original governing bodies, has been reduced to a single post on most party committees; furthermore, in those provinces which have had chronic factional violence, radical activists have been excluded altogether.

Although the party restructuring process is now formally completed, there are still many questions to be answered. For instance, the revolutionary committees established earlier still exist and overlap the new party committees, which have been declared the leading bodies in the province, and it is by no

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means certain which is more influential. Another complicating factor is the expanded role of the military and the resulting thorny problem of civilian versus military control of the party structure. Until the regime begins to address these problems in an authoritative manner, the prospects appear doubtful for the new party apparatus to regain its pre-1966 image as an infallible monolith and as an essentially civilian structure that "commands the gun."

For the immediate future, the stage now seems to be set for convening the long-delayed National People's Congress. Mao himself told Edgar Snow last fall that it was important to get party-building well established on correct lines before holding the congress. The weight of evidence now points to the convening of the congress before the end of the year.

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LAOS

Prime Minister Souvanna has said that if the Communists agree to his proposal to neutralize the Plaine des Jarres, government attacks in that area could "easily be ended" and all forces withdrawn under "properly controlled supervision." Souvanna took this new line in an interview with the Lao Press Agency on the eve of his departure for a six-week foreign vacation and visits to Thailand, France, and the US. He did not indicate whether he would forward the specifics of his neutralization and withdrawal plan in a formal message to the Communists. The plan has never been proposed to the Communists and, indeed, is still in the drafting stages.

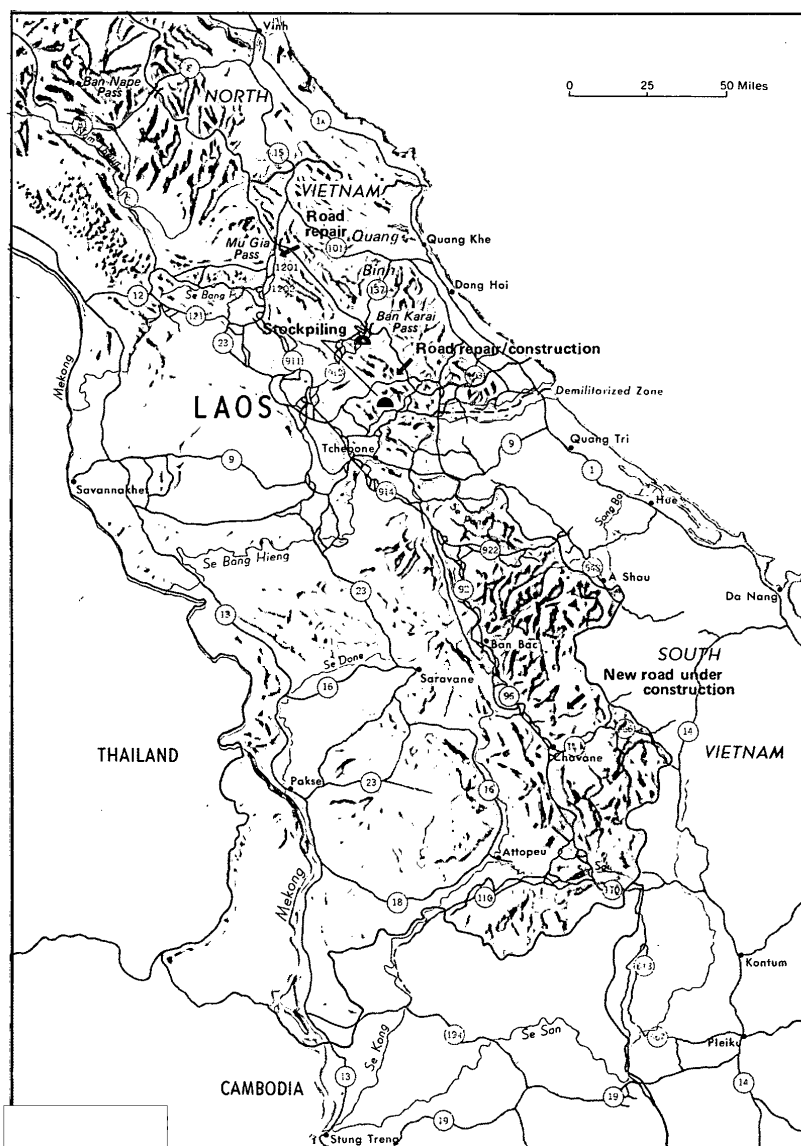
To facilitate a meeting with the Communists, Souvanna said he was ready to send his plenipotentiary representative to Khang Khay--his former neutralist headquarters on the Plaine. Khang Khay, he declared, was a "propitious" location because of the proposed neutralization. He also took pains to assure the Communists that his absence from the country would in no way hinder any forward progress on talks and noted that his representative would be able to contact him at all times.

It is uncertain how--or even if--the Pathet Lao and their mentors in Hanoi will react, particularly because the proposal has not yet been floated in a formal message. The Communists have made it clear

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[redacted] that they envision no progress toward Lao peace talks as long as Vang Pao's forces control the Plaine des Jarres. Earlier this month they withdrew their special envoy in Vientiane for "consultations" after accusing the government of making "nibbling attacks" on the Plaine. The proposal does, nevertheless, give the Communists an opportunity to show whether or not they have any interest in working toward an accommodation on the war in north Laos.

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NORTH VIETNAM

Conventional antiaircraft artillery strength in the southern panhandle of North Vietnam has roughly doubled since the end of July.

some 12 AAA regiments are now located in the lower panhandle, including at least five that previously had been in the country's northern heartland. Moreover, unusually large quantities of AAA munitions passed south through the Vinh area last week.

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Fighter aircraft also have moved into the southern part of the country for the first time since May. Three MIG-21s, piloted by experienced North Vietnamese fliers, flew to an airfield in the upper panhandle early this week and have been conducting training exercises and defensive patrols. A few MIGs flying out of panhandle airfields this spring attempted to shoot down slow-moving US aircraft, but with little success.

A similar but somewhat smaller air defense buildup took place in this sector late last summer just before the 1970-1971 dry season. The buildup almost certainly is aimed at protecting Communist supply lines running through the North Vietnam and Laos panhandles.

In fact, Communist logistic forces seem poised for an early start on the dry season supply push. Recent reports from air observers indicate that large quantities of supplies are being stockpiled in forward areas near the Ban Karai Pass and the western Demilitarized Zone routes in North Vietnam. Most major routes into and within Laos are being maintained despite rains and bombings; two new cross-border routes are under construction as well.

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INTERNATIONAL ECONOMIC DEVELOPMENTS

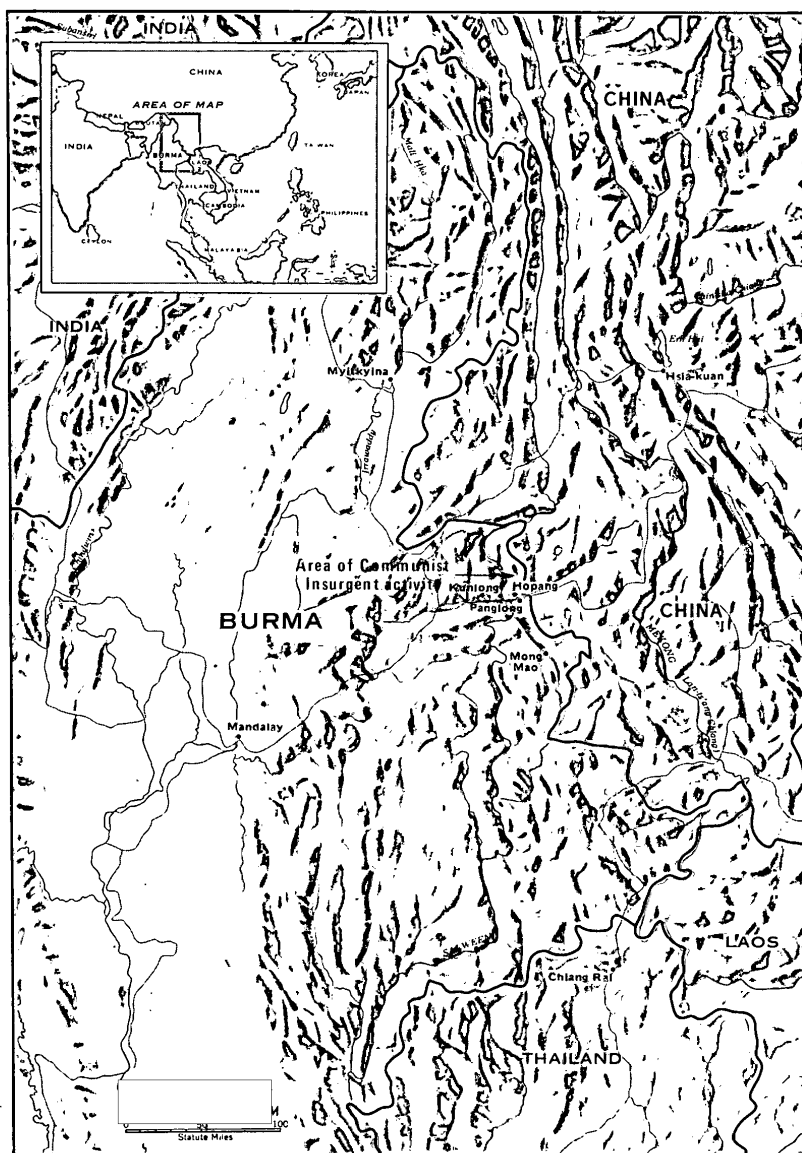
Dollar selling is heavy on the Tokyo foreign exchange market after the Bank of Japan relaxed restrictions on the amount of dollars Japanese commercial banks are required to hold. The Bank of Japan purchased about \$600 million yesterday and \$400 million during the first hour of trading today. The relaxed restrictions enable commercial banks to sell dollars, thus transferring any loss that would accrue from dollar depreciation to the Bank of Japan.

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In other international economic developments yesterday, the Council of the General Agreement on Tariffs and Trade established a study group to investigate the compatibility of the US import surcharge with GATT regulations. This group will report to the Council by 20 September and will confer with the International Monetary Fund to determine the nature of US balance-of-payments difficulties.

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BURMA

Chinese-supported Communist insurgents have become more active in northeastern Burma. On 20 August, an army camp at Panglong was overrun. The insurgents have mortared the regional military garrison at Kunlong and have seized the town of Hopang, ten miles east of Kunlong.

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Burma had received the impression during General Ne Win's visit to Peking in early August that China regards Communist insurgency as an internal Burmese affair in which it will not interfere. The revival of activity by the Chinese-backed rebels, however, may jolt Rangoon's optimistic view that improved state relations will result in a "drying up" of Chinese support to Burmese insurgents.

Reinforcements are being sent to Kunlong, but Burmese military reaction probably will be restrained as long as the insurgents remain east of the Salween River, an area under Communist control for two years.

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NOTE

Japan - Communist China: Agreement has been reached to double the size of the Japan-China trade offices in Tokyo and Peking. Announcement of the agreement, following conclusion of the annual, secret trade negotiations in Peking, came on the eve of the arrival in Tokyo of Wang Kuo-chuan, a prominent Chinese expert on Japan.

The timing of the announcement may be intended to tantalize the Japanese over the prospects for increased trade and contacts with China once Tokyo takes a more "progressive" attitude toward Peking. The Sato government no doubt will cite this development as evidence of its willingness to enlarge contacts with China.

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